

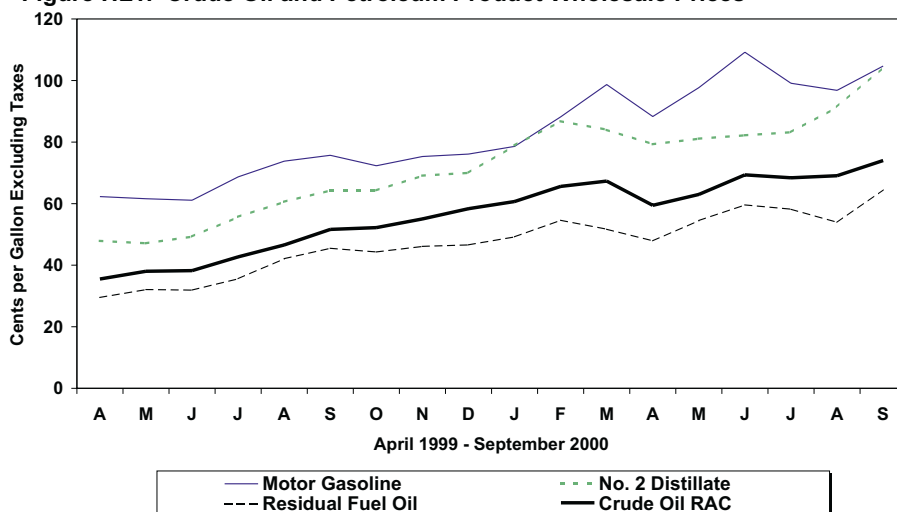
Highlights

Production rates and supply levels continued to be the most significant factors affecting international crude oil prices during September. Before the quarterly meeting of the Organization of Oil Exporting Countries (OPEC) in Vienna, Austria, in early September, market attention focused on various comments from members regarding production increases. While the automatic 500,000 barrels-per-day increase associated with the group's price band mechanism was supported by some members, many market watchers perceived it as insufficient to stem rising prices. Further, remarks from major consuming nations in the weeks prior to the OPEC meeting articulated some concern that high crude oil prices could eventually have detrimental effects on world economies. On September 10, the group announced its decision to raise production quotas by 800,000 barrels per day, effective October 1. Although larger than the automated revision, observers pointed out much of the increase simply validated earlier overproduction, estimated at 600,000 barrels per day. While prices eased to varying degrees after the quota increase, accusations by Iraq that Kuwait was stealing oil from its fields in border areas spurred a rise in prices at mid-month. In addition, comments from U.S. President Clinton regarding the effect of oil prices on the U.S. economy were interpreted as reducing the possibility of a release of crude oil from the Strategic Petroleum Reserve (SPR). As a result of these events, crude oil prices turned sharply upward. However, on September 22, Clinton announced a release of 30 million barrels of crude oil from the SPR. Combined with a statement the following week by Saudi Crown Prince Abdullah indicating a willingness to supply more product to stabilize the world oil mar-

ket, and the probability that Iraq would not cease exports, the SPR release sent international crude oil prices down markedly during the final week of the month.

While remaining within a high range, the direction of crude oil and finished product prices in the United States were mixed during September. The trend reflected a market susceptible to the pressure generated by a combination of low stock levels of key products and refinery production problems. At the beginning of the month, the approaching OPEC meeting served as the primary influence on market prices, due in large part to conflicting messages about the size of the production increase from group members. Additional pressure arose from refinery troubles, particularly on the West Coast. The effects of numerous refinery problems and thin supplies led the Los Angeles spot market price for CARB regular gasoline to an all-time high of

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	September 2000		August 2000		September 1999		September 2000		August 2000		September 1999	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	116.7	63.4	109.3	63.9	88.8	59.3	104.7	300.8	96.8	319.8	75.9	306.3
Conventional	112.1	37.4	104.7	38.4	86.2	35.7	100.3	198.4	91.9	212.9	73.3	202.8
Regular	109.1	28.4	101.3	29.0	82.4	25.4	98.8	162.1	90.2	172.9	71.3	156.9
Midgrade	118.5	5.1	112.1	5.3	92.5	5.7	103.9	12.7	95.9	13.7	77.4	15.0
Premium	125.8	3.9	119.9	4.1	99.1	4.7	108.3	23.6	101.0	26.2	81.1	30.9
Oxygenated	125.1	2.0	114.9	1.9	95.6	1.9	114.2	8.0	104.2	7.6	81.9	6.4
Regular	123.1	1.7	112.6	1.6	93.5	1.6	113.2	6.4	103.4	5.9	81.0	4.9
Midgrade	131.4	0.2	121.9	0.2	101.5	0.2	113.6	1.1	102.5	1.1	80.9	0.9
Premium	139.8	0.1	131.4	0.1	110.5	0.1	126.0	0.6	115.8	0.5	91.4	0.5
Reformulated	123.1	23.9	116.2	23.6	92.5	21.6	113.1	94.4	106.7	99.3	80.9	97.1
Regular	119.8	17.3	112.3	16.9	88.2	14.9	110.7	69.6	104.0	73.4	77.6	68.0
Midgrade	128.8	3.5	122.4	3.5	97.8	3.5	116.9	8.3	110.7	8.6	85.9	10.1
Premium	134.7	3.2	129.8	3.2	106.2	3.2	121.3	16.5	116.5	17.2	90.3	19.0
Aviation Gasoline	138.2	0.2	NA	0.3	115.4	0.2	142.6	0.7	133.8	0.8	111.7	0.8
Kerosene-Type Jet Fuel	106.1	52.0	88.8	51.8	64.2	48.2	105.1	14.8	88.0	15.4	62.7	15.8
Propane (Consumer Grade)	58.2	2.3	55.7	3.8	48.4	3.9	66.0	31.6	60.2	33.4	42.6	31.5
Kerosene	116.2	0.1	96.5	0.1	70.4	0.2	107.7	2.3	89.8	2.1	66.0	1.7
No. 1 Distillate	107.8	0.2	94.7	0.2	74.9	0.2	113.3	0.8	100.8	0.5	74.1	1.0
No. 2 Distillate	107.6	25.4	93.3	26.2	67.3	24.9	104.3	123.8	91.4	129.0	64.3	120.4
No. 2 Fuel Oil	105.9	2.6	90.8	2.7	64.4	2.8	100.9	19.5	88.3	21.5	60.9	18.5
No. 2 Diesel Fuel	107.8	22.8	93.6	23.6	67.6	22.1	105.0	104.2	92.1	107.5	64.9	102.0
Low Sulfur	109.8	15.5	95.5	16.2	69.4	15.1	105.6	89.1	92.8	92.4	65.4	88.1
High Sulfur	103.5	7.3	89.5	7.3	63.9	7.1	101.3	15.2	87.6	15.1	61.8	13.9
No. 4 Fuel^a	73.1	0.2	69.5	0.2	54.4	0.2	85.4	0.1	68.9	0.1	51.9	0.1
Residual Fuel Oil	62.0	12.3	57.1	13.2	48.0	11.9	64.5	11.5	53.9	10.2	46.7	11.5
Sulfur Content not > 1 %	75.8	2.1	67.0	3.4	47.1	2.6	71.9	5.1	61.5	5.0	49.8	5.8
Sulfur Content > 1 %	59.2	10.2	53.6	9.8	48.2	9.2	58.6	6.5	46.7	5.2	43.6	5.7

NA = Not available.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners/Gas Plant Operators' Monthly Petroleum Product Sales Report."

\$1.65 per gallon on September 5. While the price dropped significantly after refinery problems eased, it remained more than \$1.00 per gallon for the rest of the month. A fire at a refinery on the East Coast along with reported decreases in gasoline stocks underpinned regional prices following the Labor Day weekend, the customary end of the high-demand driving season. However, heating fuels continued to garner attention as concern about supply levels going into the heating season remained. At the U.S. level, total distillate stocks rose 3.9 percent from last month but remained 21.7 percent below the September 1999 level. In the PADD I region, which includes the New England and mid-Atlantic states, stocks have fallen more than 40 percent from last year's level. A comparison of No. 2 heating oil spot market prices at New York Harbor reflects these changes. In September 1999, the price ranged between 56.2 cents per gallon and 62.0 cents per

gallon, with a monthly average of 60.2 cents. This year the price ranged between 91.1 cents per gallon and 105.1 cents per gallon. The September 2000 monthly average price of 98.8 cents per gallon marks a 64 percent increase from last year's average price. The monthly average spot price for benchmark West Texas Intermediate (WTI) crude oil was \$23.80 per barrel in September 1999, while the September 2000 average price was \$33.88 per barrel, a 42 percent rise in cost. Finally, the monthly average spot price for conventional regular gasoline was 68.8 cents per gallon last year and 96.1 cents per gallon this year, which amounts to a 40 percent increase.

Additional September market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

Reflecting the ongoing volatile atmosphere in crude oil markets, the daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma was unsettled during September. Opening at \$33.09 per barrel, the price reacted during the coming days to speculation about production quota increases for OPEC members and the possibility of a release of oil from the SPR. After reaching a ten-year high of \$37.22 per barrel on September 20, the price dropped sharply following President Clinton's approval of a 30 million barrel release from the SPR on September 22. The price reached its low of \$30.26 per barrel on September 28, then closed the month at \$30.87 per barrel.

- As can be expected given recent market conditions, monthly average crude oil prices rose in all categories during September. The average domestic crude oil first purchase price increased \$1.90 (6.8 percent), to \$30.03 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose 50 cents (1.8 percent), to \$28.31 per barrel. The average landed cost of foreign crude oil increased \$1.23 (4.2 percent), to \$30.20 per barrel.
- The average refiner acquisition cost for domestic crude oil shows the largest increase, jumping \$2.59 (8.8 percent), to \$31.95 per barrel. The average cost of imported crude oil to U.S. refiners increased \$1.73 (6.0 percent), to \$30.53 per barrel. The composite refiner acquisition cost for crude oil also rose substantially, climbing \$2.07 (7.1 percent), to \$31.08 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for regular gasoline at New York Harbor reacted to several influences during September, including soaring prices in California, refinery problems on the East Coast, and reports indicating declining stocks. After opening at 96.0 cents per gallon, the price jumped to the month's high of \$1.043 per gallon on September 6, motivated by concerns about refinery operations and stockdraws. The price generally declined during the coming weeks as reports showed stocks remained within the average range for this time of year and market interest focused on heating fuels

supplies. Following its low of 86.2 cents per gallon on September 28, the price closed the month at 86.5 cents per gallon, 9.5 cents lower than where it began September.

- After declining last month, national average gasoline prices rose considerably in September. The average price for retail sales of motor gasoline by refiners climbed 7.4 cents to \$1.167 per gallon, while the average wholesale price rose 7.9 cents to \$1.047 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets jumped 7.3 cents to \$1.155 per gallon. The average wholesale price increased 7.5 cents to \$1.049 cents per gallon. The average dealer tank wagon (DTW) price rose 6.9 cents to \$1.123 per gallon, while the average rack price climbed 7.9 cents to \$1.025 cents per gallon. The average price for bulk sales increased 6.7 cents to 97.6 cents per gallon. Reformulated gasoline prices exceeded conventional gasoline prices by 9.5 cents at retail and 11.6 cents at wholesale. Oxygenated gasoline prices were 11.3 cents higher than conventional gasoline prices at retail and 13.0 cents at wholesale.
- Following the end of the summer driving season, gasoline sales by refiners fell during September. Total sales decreased 19.5 million gallons per day (5.1 percent), to an average of 364.2 million gallons per day. Retail sales decreased 500,000 gallons per day (0.8 percent), while wholesales declined 19.0 million gallons per day (5.9 percent). Rack sales accounted for 64.9 percent of wholesales, while DTW and bulk sales made up 23.5 percent and 11.6 percent, respectively. Reformulated gasoline (RFG) marked 32.5 percent of total motor gasoline sales, while oxygenated gasoline accounted for 2.7 percent.

No. 2 Distillate

During September, the daily spot price for No. 2 heating oil at New York Harbor continued to be affected by concern about low stock levels heading into the winter heating season. Beginning the month at 98.3 cents per gallon, the price rose to its high of \$1.051 on September 11, supported in part by news surrounding international crude oil production levels. The price generally eased after that as weekly reports showed some growth in stocks along with the potential of higher refinery production rates following the SPR release. Following the low of 91.1 cents per gallon on September 28, the price closed the month at 92.8 cents per gallon, 5.5 cents lower than where it began September.

- Monthly average No. 2 distillate prices rose substantially in September. The national average residential price increased 12.9 cents to \$1.319 per gallon. The average wholesale price climbed 12.9 cents to \$1.044 cents per gallon. The average price for No. 2 diesel fuel jumped 14.1 cents at company-operated retail outlets, while the average wholesale price increased 12.9 cents. The difference between low- and high-sulfur diesel fuel prices was 3.2 cents at retail and 3.4 cents at wholesale.
- Refiner sales of No. 2 distillates declined during September. Total sales of No. 2 distillate fell 6.2 million gallons (4.0 percent), to 149.1 million gallons per day. Sales of No. 2 fuel oil decreased 2.1 million gallons per day (8.7 percent), while sales of No. 2 diesel fuel fell 4.1 million gallons per day (3.1 percent). Low-sulfur diesel fuel made up 82.4 percent of all refiner diesel fuel sales, and 70.2 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- September monthly average residual fuel oil prices show significant increases from August levels. Refiner prices for low-sulfur residual fuel rose 8.8 cents to 75.8 cents per gallon at retail, and 10.4 cents to 71.9 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail increased 5.6 cents to 59.2 cents per gallon, while the wholesale price rose 11.9 cents to 58.6 cents per gallon. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price rose 9.2 cents to 73.6 cents per gallon at retail, and 10.1 cents to 71.0

cents per gallon at wholesale. Prices for high-sulfur residual fuel oil climbed 5.1 cents to 60.7 cents per gallon at retail, and 11.0 cents to 59.7 cents per gallon at wholesale.

- Residual fuel oil sales by refiners were mixed during September. Total sales increased 400,000 gallons per day (1.7 percent), to 23.8 million gallons per day. Low-sulfur residual fuel sales dropped 1.2 million gallons per day (14.3 percent), while high-sulfur residual fuel oil sales rose 1.7 million gallons per day (11.3 percent).

Other Products

- Prices for the remaining surveyed products increased during September, by considerable amounts in some instances. Refiner propane prices rose 2.5 cents per gallon at retail and 5.8 cents at wholesale. Including data from a sample of propane marketers, the average residential propane price increased 9.8 cents per gallon. The average retail price for propane jumped 12.0 cents, while the wholesale price rose 5.7 cents per gallon. Prices for kerosene-type jet fuel rose more than 17 cents per gallon at both retail and wholesale. Aviation gasoline, kerosene, No. 1 distillate, and No. 4 distillate prices rose at both levels.

In most cases refiner sales of these products fell during September. Sales of propane, No. 4 distillate, and aviation gasoline declined at both levels. Sales of kerosene and No. 1 distillate fell at retail but rose at wholesale, while sales of kerosene-type jet fuel rose slightly at retail but fell at wholesale.

